

# **European workshops on disclosure of environmental, social and governance (ESG) information**

## **Background**

The number of companies disclosing information on their environmental, social and governance performance has grown very significantly in recent years. For large multinational companies, disclosure of ESG information has become a mainstream phenomenon. The quality of this disclosure varies however. A number of leading companies have developed innovative practices for effective ESG disclosure. However, some target stakeholder groups for such information (e.g. investors and analysts, campaigning NGOs, consumers) still often state that their needs are not adequately met.

There are a number of international and European initiatives that seek to provide different kinds of guidance for companies in this field. There has been a certain degree of communication and coordination between some of these initiatives, but there is room to do more in this respect. Additionally, some EU Member States make legal requirements on certain kinds of companies to disclose information on their ESG performance that go beyond the basic requirements of European law (Accounts Modernisation Directive 2003/51/EC).

Transparency and disclosure of ESG information emerged as a key issue at the plenary meeting of the European Multistakeholder Forum on CSR on 10 February 2009. These issues have taken on particular importance in the context of the current economic and financial crisis. Greater transparency can play a role in helping to restore trust in business. Enterprises themselves increasingly recognise the value of ESG disclosure in driving internal change. Some organisations see a need and an opportunity to refocus management systems and to base investment practices and measures of business success on longer-term issues, including ESG issues.

## **Objectives**

The European Commission is proposing to organise a series of workshops to:

- Identify the most effective and efficient way(s) to promote a better and more widespread disclosure of ESG information, which should be useful for the companies that disclose it and for stakeholders that may require it. Without pre-judging any outcomes, this will involve, amongst other things, exploring both the desirability and the feasibility of stakeholders moving towards an agreed core set of KPIs for ESG performance.
- Facilitate better coordination and communication between existing initiatives in the field of ESG disclosure.
- Deepen the understanding of all stakeholders, including the European Commission, of the issues at stake, recent developments and current good practice.

The conclusions of these workshops will be discussed during the conference to be organised by the Spanish Presidency on 25-26 March. They will also be discussed in a plenary meeting of the European Multistakeholder Forum on CSR in the second half of 2010 or early 2011.

## **Methodology**

The European Commission will convene 5 one-day workshops between September 2009-February 2010. Each workshop will focus on a common set of core questions, but examined from the perspective of a different stakeholder group in each case. The guiding orientation of this work will be the information needs and demands of enterprises themselves and their stakeholders.

The core questions to be addressed would be:

1. What are the legitimate information needs of the stakeholder group in question? Why is this information needed and to what use is it or would it be put? What difference does or would the provision of (better) information make?
2. To what extent do current disclosure practices meet the information needs of the stakeholder group in question? Who are companies trying to communicate with and provide information to? What is current best practice from the company point of view and from the point of view of the stakeholder group in question? What needs to change to better meet the information needs, and can companies make those changes? Are transparency and materiality common goals and what needs to happen for those goals to be achieved?
3. Is it important for the stakeholder group in question that disclosure of ESG information be linked to financial reporting? Why? What technical / IT tools are available (or to be developed) to ensure the most efficient preparation and dissemination of such information ?
4. Is a common set of comparable non-financial KPIs desirable? If so, to what extent is it feasible to achieve, and what would then be the ideal balance between cross sectoral and sector-specific indicators?
5. What are/could be the most effective and efficient mean(s) to promote a better and more widespread disclosure of ESG performance information, which should be useful for the companies that disclose it and for stakeholders which may require it? What are the costs and benefits of different approaches? Should these means be national, EU-wide or global? What might be the added value, if any, of action at EU level? How should the particular needs and circumstances of SMEs be addressed? How can the needs of stakeholders outside the EU be addressed?

The 5 workshops would respectively deal with these questions from the perspective of the following stakeholder groups:

- Workshop 1 (September 18): Enterprises (the providers of ESG information)
- Workshop 2 (October 30): Investors (mainstream and SRI), financial analysts, accountants, rating agencies

- Workshop 3 (December 4): Civil society and NGOs, consumers, media
- Workshop 4 (January 28 and 29, 2010): Trade unions, public authorities
- Workshop 5 (February 25, 2010): Concluding workshop

The workshops will be dynamic, with times for speakers restricted to a few minutes and considerable space left in the agenda for open discussions.

## **Participants**

A core group of persons and organisations would be invited to attend all the workshops, in order to provide for continuity and to create opportunities for further coordination in the medium-term. This core group will include:

(1) Up to two representatives from organisations or initiatives that are a reference in this field:

- Global Reporting Initiative (GRI)
- UN Global Compact
- Federation of European Accountants (FEE)
- CSR Alliance Laboratory on Market Valuation of Financial and Non-financial Performance
- European Federation of Financial Analysts Societies (EFFAS)
- Secretariat of the UN Principles for Responsible Investment (UNPRI)
- International Corporate Governance Network (ICGN)
- Transparency International
- Experts from 4 Member State Governments active in this field (FR, DK, ES, SW)

(2) Up to two representatives nominated by each member of the CSR Forum Coordination Committee:

- BUSINESSEUROPE
- UEAPME
- EUROCHAMBRES
- CSR Europe
- European Trade Union Confederation
- EUROCADRES
- European Coalition for Corporate Justice (ECCJ)
- Amnesty International
- Friends of the Earth Europe
- European Sustainable Investment Forum (EUROSIF)
- European Academy of Business in Society (EABIS)
- European Consumers' Organisation (BEUC)
- European Savings Bank Group (ESBG)
- Cooperatives Europe

Persons nominated by the CSR Forum Coordination Committee must be experts in the field.

In addition to the core group, a number of additional speakers and other experts will be invited to attend one of the workshops, in accordance with the focus of the particular workshop in question. It will be crucial to the success of the workshops that these invited speakers include individual company representatives, as well as practitioners from the stakeholder group in question. The Commission will seek the advice of stakeholders in order to identify appropriate speakers.

Approximately 60 persons, including European Commission representatives, would participate in each workshop.

This initiative is lead by the European Commission's Directorate-General for Enterprise and Industry , with the active involvement of other relevant Commission services, including DG Employment and Social Affairs, which is jointly responsible for Commission policy on CSR. In late 2009 the Commission (DG Employment and Social Affairs) intends to contract a consultant to carry out a study of current CSR reporting practices. The study will build on the outcomes of the proposed workshops.

### **Other considerations**

The success of this initiative will be at least partially dependent on the good preparation of each individual workshop, with objectives, key questions and reference documents identified and shared in advance.

The workshops will be held under Chatham House rules. Written summaries of each workshop, which do not attribute comments to particular speakers, will be published on the web together with other relevant background documents.